

NASAA Releases Annual Enforcement Report

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WASHINGTON, D.C. (October 10, 2018) – The North American Securities Administrators Association (NASAA) today released its annual enforcement report, which shows a reversal in a recent trend as more enforcement actions were taken in 2017 against unregistered individuals or firms than registered members of the securities industry.

In its 2018 Enforcement Report on 2017 Data, which includes responses from 51 jurisdictions throughout the United States, NASAA reported that state securities regulators conducted 4,790 investigations in 2017 and took 2,105 enforcement actions overall. These actions led to more than \$486 million in restitution ordered returned to investors, fines of \$79 million and criminal relief of 1,985 years, including incarceration and probation.

Reversing a two-year trend, NASAA reported that its U.S. members brought more enforcement actions against unregistered firms and individuals (675 actions) compared to registered individuals and firms (647 actions). Among registered firms and individuals, the report noted that 377 enforcement actions were taken against registered investment adviser firms and their representatives and 270 actions were taken against registered broker-dealer firms and their agents.

“The results from this year’s enforcement survey demonstrate that state securities regulators continue to play a critical role in protecting investors and holding securities law violators responsible for the damage that they cause to individual investors specifically and to the integrity of our capital markets in general,” said Michael S. Pieciak, NASAA President and Vermont Commissioner of Financial Regulation.

Pieciak attributed the increase in enforcement against unregistered firms or individuals, in part, to an increased focus on fraudulent initial coin offerings (ICOs) and other crypto-assets and the growing enactment of state legislation based on, or inspired by, NASAA’s Model Act to Protect Vulnerable Adults from Financial Exploitation.’ The model act mandates reporting to a state securities regulator and state adult protective services agency when an agent or representative has a reasonable belief that financial exploitation of an eligible adult has been attempted or has occurred.

State securities regulators have dual roles as enforcers and gatekeepers. In 2017, NASAA U.S. members revoked, barred or suspended the licenses of more than 300 individuals and firms and denied or conditioned the registrations of more than 575 others. In addition, nearly 3,600 licensing requests were withdrawn after state action or attention, the most in the past four years.

“Securities fraud is a constant, ongoing, ever-evolving threat to investors. But as this year’s enforcement survey demonstrates, NASAA members are well-prepared, well-organized, and uniquely qualified to continue to aggressively protect investors,” said Christopher

Gerold, NASAA Enforcement Section Chair and Bureau Chief of the New Jersey Bureau of Securities.

The report also identifies enforcement trends, highlights the cooperation among NASAA members in multi-jurisdictional investigations and combating frauds involving emerging technologies, and notes the ways that NASAA members are responding to securities frauds involving seniors. The complete enforcement report is available on the NASAA website at www.nasaa.org.

For More Information:

Bob Webster | Director of Communications

202-737-0900